



Report to the Auburn City Council

Action Item

Agenda Item No.

City Manager Approval

To: Mayor and City Council Members
From: Jack Warren, Director of Public Works/City Engineer *glw*
Date: February 23, 2009
Subject: Solar Energy Project Update

The Issue

Shall the City of Auburn proceed with Solar Energy Projects?

Conclusion and Recommendation

Informational Item Only

Background

In July 2008, the City Council had a presentation regarding solar projects for the City of Auburn from Solar Power, Inc. and SPG Solar. At the time Solar Power, Inc. was proposing a project at the Auburn Municipal Airport and City Hall whereas SPG Solar was proposing a project at the Wastewater Treatment Plant. The City also received an additional proposal from Pacific Power Management after the July 2008 City Council meeting discussion.

The proposed projects were under a power purchase agreement which enabled a third party to install and maintain the solar arrays and receive the federal tax credits. The projects that were proposed in July 2008 enabled the City to purchase power provided by the solar installation at a rate less than the current rate from PG&E. After the first year, the solar power cost would go up annually based on a rate specified in the contract for the life of the contract. The assumption is that the annual increase would be less than that of PG&E. The proposed projects assumed the federal tax credit for the third party and additionally some PG&E credits. The federal tax credits were just recently extended. The PG&E credits have decreased by 15% and could make the proposed projects not feasible for the City.

Since July 2008, the Assembly Bill 2466 was signed into law by the Governor on September 28, 2008. AB 2466 became effective January 1, 2009. AB 2466 allows an eligible customer to apply excess renewable power produced from a customer account as energy credits against charges for power delivered to one or more of its other accounts. AB 2466 applies to local governments such as cities, counties, special districts, school districts, political subdivisions or other local public agencies, if authorized by law to generate electricity. The City of Auburn would qualify under AB 2466. AB 2466 also requires the local government to pay for the capital installation of the solar arrays. The up front cost to the City to install the solar arrays may make this option not feasible for the City.

In July 2008 there was three sites identified as possible locations for solar arrays – Wastewater Treatment Plant, Auburn Municipal Airport, and City Hall. Due to Historic Design Review required at City Hall, the proposed location at City Hall has been eliminated. The solar projects had been on hold to determine if the federal tax credits would continue and to determine what effect AB 2466 would have on a project for the City of Auburn.

Alternatives Available to Council; Implications of Alternatives

1. Direct Staff to go out with an RFP for a solar project using the power purchase agreement concept.
2. Defer action until additional funding incentives become available.

Environmental Considerations

No assessment has been done to date but a problem is not anticipated. Environmental review will be completed before the contracts are executed.

Fiscal Impact

No fiscal impact currently, but if City Council directs staff to prepare an RFP there will be staff time associated with the project. The power purchase agreements do not require any money up front from the City if the projects previously discussed are still feasible for the Solar Companies. If the City decided to take advantage of the newly passed law, AB 2466, then the City would need to have capital funds to pay for the project.